

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 319 – SB 1209

March 28, 2017

SUMMARY OF ORIGINAL BILL: Authorizes administrative departments of state government to obtain criminal history background checks, to comply with Internal Revenue Service Publication 1075, on all employees and contractors with access to federal tax information.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue –

\$50,800/Tennessee Bureau of Investigation/FY17-18

\$21,200/Tennessee Bureau of Investigation/FY18-19 and Subsequent Years

Increase State Expenditures – \$138,200/General Fund/FY17-18

\$57,600/General Fund/FY18-19 and Subsequent Years

SUMMARY OF AMENDMENT (005296): Deletes and rewrites the proposed legislation to remove subsection (e) that authorized the chief executive officer of each department to establish the job titles and classifications subject to background checks.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- Effective September 30, 2016, IRS Publication 1075 was updated. Among other requirements, any agency or agent that legally receives federal tax information (FTI) must have adequate programs in place to protect the data received.
- One of the programs is background investigation checks, or criminal history background checks.
- Most state employees and contractors of the state do not have access to FTI. However, employees and contractors at the Department of Transportation, the Bureau of TennCare, the Department of Labor and Workforce Development, the Department of Revenue, the Department of Finance and Administration, and the Department of Human Services do have access to FTI.

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- The proposed legislation authorizes these departments to conduct background checks on such employees and contractors to comply with Publication 1075.
- The background checks will be completed by the Tennessee Bureau of Investigation (TBI) in conjunction with the Federal Bureau of Investigation (FBI). Publication 1075 requires fingerprint-based comprehensive criminal histories.
- The TBI charges \$32.65 for these background checks. Of the \$32.65, \$12.00 is forwarded to the FBI to run a check through their system, \$8.65 is forwarded to the vendor that collects the fingerprints, and \$12.00 is retained by the TBI to run a check through their system.
- The Department of Transportation reports that approximately 28 employees/contractors will require background checks in FY17-18 and does not anticipate any background checks in subsequent fiscal years. The proposed legislation will increase state expenditures in FY17-18 by \$914 ($28 \times \32.65).
- The Bureau of TennCare reports that approximately 12 employees/contractors will require background checks in FY17-18 and does not anticipate any background checks in subsequent fiscal years. The proposed legislation will increase state expenditures in FY17-18 by \$392 ($12 \times \32.65).
- The Department of Revenue reports that approximately 527 employees/contractors will require background checks in FY17-18 and anticipates a turnover rate of seven percent in subsequent fiscal years, requiring recurring expenditures. The proposed legislation will increase state expenditures by \$17,207 ($527 \times \32.65) in FY17-18 and recurring expenditures by \$1,204 [$(527 \times 0.07) \times \32.65] in FY18-19 and subsequent fiscal years.
- The Department of Labor and Workforce Development reports that approximately 50 employees/contractors will require background checks in FY17-18 and anticipates a turnover rate of 17.6 percent in subsequent fiscal years, requiring recurring expenditures. The proposed legislation will increase state expenditures by \$1,633 [$(50 \times \$32.65)$] in FY17-18 and recurring expenditures by \$287 [$(50 \times 0.176) \times \32.65] in FY18-19 and subsequent years.
- The Department of Finance and Administration reports that approximately 122 employees/contractors will require background checks in FY17-18 and anticipates a turnover rate of 42.6 percent in subsequent fiscal years, requiring recurring expenditures. The proposed legislation will increase state expenditures by \$3,983 [$(122 \times \$32.65)$] in FY17-18 and recurring expenditures by \$1,697 [$(122 \times 0.426) \times \32.65] in FY18-19 and subsequent years.
- The Department of Human Services reports approximately 2,267 employees and 1,227 contractors will require background checks in FY17-18 and anticipates a turnover rate of 19.4 percent for employees in subsequent fiscal years, requiring recurring expenditures. The department further believes that the contractors will require annual background checks. The proposed legislation will increase state expenditures by \$114,079 [$(2,267 + 1,227) \times \32.65] in FY17-18 and recurring expenditures by \$54,421 [$\{(2,267 \times 0.194) \times \$32.65\} + [1,227 \times \$32.65]$] in FY18-19 and subsequent years.
- The total increase in state expenditures in FY17-18 is \$138,208 ($\$914 + \$392 + \$17,207 + \$1,633 + \$3,983 + \$114,079$).
- The total recurring increase in state expenditures in FY18-19 and subsequent years is \$57,609 ($\$1,204 + \$287 + \$1,697 + \$54,421$).

- The TBI will retain \$12 of each background check fee. The increase in state revenue to TBI in FY17-18 is \$50,796 ($4,233 \times \12). The increase in state revenue to TBI for FY18-19 and subsequent years is \$21,174 $\{[(527 \times 0.07) + (50 \times 0.176) + (122 \times 0.426) + (2,267 \times 0.194) + 1,227] \times \$12\}$.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/trm